



Arnold Schwarzenegger  
Governor

October 11, 2010  
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Mrs. Bridgette Leibelt-Cruz, Regional Workforce Development Manager  
U.S. Veterans Initiative  
733 South Hindry Avenue  
Inglewood, CA 90301

Dear Mrs. Leibelt-Cruz:

WORKFORCE INVESTMENT ACT  
VETERAN'S EMPLOYMENT-RELATED ASSISTANCE PROGRAM  
15-PERCENT ADULT PROJECT  
25-PERCENT DISLOCATED WORKER PROJECT  
FINAL MONITORING REPORT  
PROGRAM YEAR 2010-11

This is to inform you of the results of our review for Program Year (PY) 2010-11 of the U.S. Veterans Initiative (USVI) administration of its Workforce Investment Act (WIA) Veteran's Employment-Related Assistance Program (VEAP) Projects. Mr. Gregory Ramsey conducted this review July 19, 2010 through July 23, 2010. For the program operations portion of the review, we focused primarily on the areas of program administration, participant eligibility, WIA activities, monitoring, if applicable, and management information system/reporting. For the financial management portion of the review, we focused primarily on the areas of accounting systems, expenditures, allowable costs, cost allocation, reporting, cost pools, indirect costs, cash management, internal controls, program and interest income, single audit, if applicable, and property management. For the procurement portion of the review, we focused on procurement competition, cost and price analyses, and contract provisions.

We conducted our review under the authority of Sections 667.400(c) and 667.410(b) (1)(2)(3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by USVI with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding program operations, financial management and procurement.

We collected the information for this report through interviews with USVI representatives and WIA participants. In addition, this report includes the results of our review of sampled case files for participants enrolled in the WIA VEAP Projects; a review of USVI's response to Sections I and II of the Program On-Site Monitoring Guide;

applicable policies and procedures; and a review of documentation retained by USVI for a sample of expenditures and procurements.

We received your response to our draft report on October 1, 2010, and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed finding 5 cited in the draft report, no further action is required and we consider the issue resolved.

Although your response adequately addressed findings 1, 3, 4, and 7 cited in the draft report, these issues will remain open until we verify the implementation of your stated corrective action plan during a future on-site review. Until then, these findings are assigned Corrective Action Tracking System (CATS) numbers 11000, 11002, 11003, and 11006, respectively.

Finally, because your response did not adequately address findings 2 and 6 cited in the draft report, we consider these findings unresolved. We request that USVI provide the Compliance Review Office (CRO) with additional information to resolve the issues that led to the findings. Therefore, these findings remain open and have been assigned CATS numbers 11001 and 11005.

### **BACKGROUND**

The USVI was awarded \$250,000 in 15-Percent funds to serve 294 adult participants, and was awarded \$250,000 in 25-Percent funds to serve 306 dislocated worker (DW) participants from June 30, 2010 through December 31, 2011.

For the period ending May 2010, USVI reported that it spent \$250,000 of its 15-Percent funds to enroll 390 adult participants and spent \$241,304 of its 25-Percent funds to enroll 121 DW participants. We reviewed 10 of 390 case files for the 15-Percent adult participants and 15 of 121 case files for the 25-Percent DW participants enrolled in the WIA VEAP Projects as of July 19, 2010.

### **PROGRAM REVIEW RESULTS**

While we concluded that, overall, SSUC is meeting applicable WIA requirements concerning grant program administration, we noted instances of noncompliance in the following areas: participant exit dates, incident reporting policies and procedures, and intensive services. The findings that we identified in these areas, our recommendations, and USVI's proposed resolution of the findings are specified below.

**FINDING 1**

**Requirement:** WIA Section 185 (c)(2) states, in part, that each recipient receiving funds shall maintain comparable management information systems (MIS), designed to facilitate the uniform compilation and analysis of programmatic, participant and financial data necessary for monitoring and evaluating purposes. WIA Section 185 (d)(1)(B) states, in part, that information to be included in reports shall include information regarding the programs and activities in which participants are enrolled, and the length of time that participants are engaged in such programs and activities.

The Department of Labor, Training and Employment Guidance Letter, (TEGL) 17-05 (6)(B)(3) states, in part, that once a participant has not received any services funded by the program for 90 consecutive calendar days, has no gap in service, and is not scheduled for future services, the date of exit is applied retroactively to the last day on which the individual received a service funded by the program.

**Observation:** In 3 of the 25 participant case files reviewed, we noted that there was no indication of WIA service or partner service provided to the participants for periods of 90 days or longer. These 3 participants were not exited from the program.

**Recommendation:** We recommended that USVI exit the participants who are no longer receiving WIA services and provide documentation to the CRO. In addition, we recommended that USVI provide CRO with a corrective action plan (CAP) indicating how it will ensure that participants are exited from the program when they have not received WIA services for 90 days or more.

**USVI Response:** The USVI provided documentation that the 3 participants identified above have been exited from the program.

The USVI stated staff will conduct quarterly file reviews of all enrolled program participants. If a participant has not received WIA services for 90 days or more, then the participant will be exited. Additionally, the Regional Workforce Manager will run a client roster to ensure that any participant who has not received services in 90 days has been exited from the Job Training Automation (JTA) System.

**State Conclusion:** The USVI's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future on-site visit, the USVI's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 11000.

## **FINDING 2**

**Requirement:** 20 CFR Section 667.630 states, in part, that information and complaints involving criminal fraud, waste, abuse or other criminal activity must be reported immediately through the Department's Incident Reporting System to the Department of Labor's (DOL) Office of Inspector General (OIG) with a copy simultaneously provided to the Employment and Training Administration (ETA).

WIA Directive WIAD02-3 states, in part, that each subrecipient shall establish appropriate internal program management procedures to prevent and detect fraud, abuse, and criminal activity. These procedures must include a reporting process to ensure that OIG and CRO are notified immediately of any allegations of WIA-related fraud, abuse, or criminal activity. Internal management procedures must be in writing and include the designation of a person on the subrecipients' staff who will be responsible for such notifications.

**Observation:** We observed that USVI's written incident reporting policy does not contain provisions related to preventing and detecting fraud, waste, abuse, or other criminal activity. Furthermore, it does not include a reporting process to ensure that OIG and CRO are notified immediately of any allegations of WIA-related fraud, abuse, or criminal activity. Further, it does not designate a staff person responsible for reporting such incidents.

**Recommendation:** We recommended that USVI revise its incident reporting policy to include policies and procedures related to preventing and detecting fraud, waste, abuse, or other criminal activity, include a reporting process to ensure that OIG and CRO are notified immediately of any allegations of WIA-related fraud, abuse, or criminal activity. A copy of the revised incident reporting policy should be submitted to CRO.

**USVI Response:** The USVI provided a revised Business Conduct Policies and Administrative Provisions which included policies and procedures

related to preventing and detecting fraud, waste, abuse, or other criminal activity.

**State Conclusion:** Based on the USVI's response, we cannot resolve this issue at this time. Although USVI revised its Business Conduct Policies and Administrative Provisions to include policies and procedures related to preventing and detecting fraud, waste, abuse, or other criminal activity, as well as a process to ensure the OIG is notified immediately, USVI did not include a reporting process to ensure CRO is notified immediately of any allegations of WIA-related fraud, abuse, or criminal activity.

We again recommend that USVI revise its incident reporting policy to include a reporting process to ensure that CRO is notified immediately of any allegations of WIA-related fraud, abuse, or criminal activity and provide a copy to CRO. Until then, this issue remains open and has been assigned CATS number 11001.

### **FINDING 3**

**Requirement:** 20 CFR Section 663.105(b) states, in part, adults and dislocated workers who receive services funded under Title I other than self-service or informational activities must be registered and determined eligible.

20 CFR Section 663.240 states, in part, at a minimum, an individual must receive at least one intensive service, such as development of an individual employment plan (IEP) with a case manager or individual counseling and career planning, before the individual may receive training services. The case file must contain a determination of need for training services, as identified in the individual employment plan.

**Observation:** We observed that 2 out of 25 participants were provided an intensive service prior to being determined eligible and being registered in the WIA program. Specifically, the IEP for 2 participants were completed prior to registration.

Additionally, 1 out of 25 participant case files reviewed did not contain an IEP assessment. Interviews with staff and JTA system coding detail indicate that this assessment was completed; however, it was not included in the case file.

**Recommendation:** We recommended that USVI provide the CRO with a CAP stating how it will ensure that participants are not receiving WIA services prior to being determined eligible and enrolled in the WIA program. In addition, a copy of the missing IEP assessment form should be submitted to CRO.

**USVI Response:** The USVI stated that all participants will be required to complete the orientation and eligibility process before providing an intensive service. Further, no IEP will be completed without proof of orientation and eligibility, as verified by the Career Counselor, prior to completing any intensive services. The USVI provided a copy of the missing IEP identified above.

**State Conclusion:** The USVI's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future on-site visit, the USVI's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 11002.

#### **FINANCIAL MANAGEMENT REVIEW RESULTS**

While we concluded that, overall, USVI is meeting applicable WIA requirements concerning financial management, we noted instances of noncompliance in the following areas: supporting documentation and allocable cost. The findings that we identified in these areas, our recommendations, and USVI's proposed resolution of the findings are specified below.

#### **FINDING 4**

**Requirement:** Office of Management and Budget A-122 Appendix A(A)(2)(g) states, in part, to be allowable under an award, costs must meet the following general criteria, be reasonable for the performance of the award and be adequately documented.

The U.S. Department of Labor's One Stop Comprehensive Financial Management Technical Assistance Guide (TAG), July 2002, states, in part, accounting records must be supported by source documentation such as canceled checks, invoices, and purchase order. This documentation must be available for review by awarding agency representatives and auditors and directly relate to the costs claimed on financial reports.

**Observation:** It was observed that a payment made to Golden West College in the amount of \$336.00 for tuition and books for Public Dispatcher training lacked adequate source documentation to support the transaction. Specifically, USVI was only able to provide the invoice and a copy of the check for the tuition payment in the amount of \$193.00. However, USVI was not able to provide a receipt or invoice to support the remaining \$143.00 alleged to have been used in payment of books for the course.

**Recommendation:** We recommended that USVI provide supporting documentation for the purchase of the above referenced books to the CRO. In addition, we recommend that USVI submit a CAP to the CRO indicating how it will ensure, in the future, that all costs charged to this WIA program will be properly documented.

**USVI Response:** The USVI stated that it was unable to locate the supporting documentation for the payment of books in the amount of \$143.00. However, USVI did attach telephone verification from the participant that the participant did receive \$143.00 for books.

The USVI also stated that prior to charging any costs to the WIA program, the Regional Workforce Manager will ensure that all the necessary documentation is collected. In addition, accounting will verify that all proper documentation has been submitted before charging any costs to the WIA program

**State Conclusion:** The USVI's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future on-site visit, the USVI's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 11003.

## **FINDING 5**

**Requirement:** 29 CFR Section 95.21(b)(1) states, in part, that financial management systems shall provide accurate, current, and complete disclosure of the financial results of each federally-sponsored project or program.

Office of Management and Budget (OMB) Circular A-122, Attachment A, Section (A)(2)(a) states, in part, that for a cost to be allowable it must be reasonable for the performance of the award and be allocable.

OMB Circular A-122, Attachment A, Section (A)(4)(a) states, in part, a cost is allocable to a particular cost objective in accordance with the relative benefits received.

**Observation:** We reviewed a payment and invoice from the Singleton Company for \$5,156.63 for the purchase of padfolios and mugs. The invoice amount was divided equally between the two VEAP projects. However, there was no supporting documentation to substantiate that the padfolios and mugs were used to benefit the WIA program.

**Recommendation:** We recommended that USVI provide to the CRO documentation to substantiate that the above expense payment benefited the WIA program.

**USVI Response:** The USVI stated the padfolios and mugs were purchased solely support the WIA program and for two purposes: first, to give an incentive to the veterans seeking employment and second, to use for outreach, information, and awareness for potential employers and referral sources for veterans needing services.

**State Conclusion:** We consider this finding resolved.

### **PROCUREMENT REVIEW RESULTS**

While we concluded that, overall, USVI is meeting applicable WIA requirements concerning procurement, we noted instances of noncompliance in the following areas: written policies and procedures and cost or price analysis. The findings that we identified in these areas, our recommendations, and USVI's proposed resolution of the findings are specified below.

### **FINDING 6**

**Requirement:** 29 CFR Section 95.41 states, in part, the recipient is the responsible authority, without recourse to DOL, regarding the settlement and satisfaction of all contractual and administrative issues arising out of procurements entered into in support of an award or other agreement. This includes disputes, claims, protests of award, source evaluation, or other matters of contractual nature.



29 CFR Section 95.42 states, in part, the standards of conduct shall provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the recipient.

29 CFR Section 95.45 states, in part, some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action.

**Observation:**

We observed that USVI's written procurement policies and procedures lack the necessary provisions required by the above regulations. Specifically, USVI's procurement policies and procedures were missing the following items:

- A process for resolving disputes, claims, and protests of awards.
- Disciplinary actions for violations of the code of conduct for employees conducting procurements, including criteria regarding conflict of interest.

Additionally, USVI's current procurement policies and procedures only require price quotations from multiple vendors when the purchase is in excess of \$10,000 as opposed to the above Federal regulation which requires price or rate quotations be obtained from multiple sources on every procurement transaction.

**Recommendation:**

We recommended that USVI update its written procurement policies and procedures to include the required procurement provisions, including a process for resolving disputes, claims, and protests of awards, as well as disciplinary actions for violations of the code of conduct for employees conducting procurements, including criteria regarding conflict of interest. A copy of the revised procurement policies and procedures should be submitted to CRO.

**USVI Response:**

The USVI stated it has revised its procurement policies and procedures to include the requirement of obtaining price quotations from more than one vendor for all purchase transactions and includes a process for resolving disputes, claims, and protests of awards, as well as disciplinary actions for violations of the code of conduct for employees conducting procurements, including criteria regarding conflict of interest.

Further, USVI stated that they will provide a copy of the revised policies and procedures to CRO once it is approved by USVI Board of Directors.

**State Conclusion:** Based on the USVI's response, we cannot resolve this issue at this time. Although USVI revised its procurement policies and procedures to include a process for resolving disputes, claims, and protests of awards, as well as disciplinary actions for violations of the code of conduct, and criteria regarding conflict of interest, USVI has not provided CRO with a copy of its revised policy.

We again recommend that USVI provide its revised procurement policies which include the required procurement provisions, including a process for resolving disputes, claims, and protests of awards, as well as disciplinary actions for violations of the code of conduct for employees conducting procurements, including criteria regarding conflict of interest to CRO. Until then, this issue remains open and has been assigned CATS number 11005.

#### **FINDING 7**

**Requirement:** 29 CFR Section 95.43 states, in part, all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition.

29 CFR Section 95.45 states, in part, some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement transaction.

WIAD 00-2 states, in part, small purchases must be documented by sales receipts, current catalogs with price lists, or formal quotes, depending on the amount.

The U.S. Department of Labor's One Stop Comprehensive Financial Management Technical Assistance Guide (TAG), July 2002, states, in part, that if small purchase procedures are used, price or rate comparisons from an adequate number of qualified sources must be obtained.

**Observation:** We observed that USVI only obtained one price quote and did not perform any cost or price analysis for the following three purchases: three file cabinet units, in the amount of \$2,603.92;

office supplies, printer cartridges, and copy paper in the amount of \$1,700.16; and insignia padfolios and mugs in the amount of \$5,163.63.

**Recommendation:** We recommended that USVI submit a CAP to the CRO indicating how it will ensure that future procurement transactions will include documentation to show that a cost or price analysis will be completed for every procurement action.

**USVI Response:** The USVI stated that all purchase requisitions under the WIA-VEAP Projects will be approved only after the authorized purchaser provides documentation that a price analysis was conducted before selecting a particular vendor. The USVI also stated that price quotations from more than one vendor, catalog references, internet quotes, documented verbal quotes, etc. will be used for that purpose.

**State Conclusion:** The USVI's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future on-site visit, the USVI's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 11006.

We provide you up to 20 working days after receipt of this report to submit to the Compliance Review Office your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than November 8, 2010. If we do not receive a response by this date, we will release this report as the final report. Please submit your response to the following address:

Compliance Monitoring Section  
Compliance Review Office  
722 Capitol Mall, MIC 22  
P.O. Box 826880  
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-7756.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. As you know, it is USVI's responsibility to ensure that its systems, programs, and related activities comply with the WIA-related federal regulations, and applicable state directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain USVI's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Cynthia Parsell at (916) 654-1292.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jessie Mar".

JESSIE MAR, Chief  
Compliance Monitoring Section  
Compliance Review Office

cc: Keith Ellis, Board of Directors Chairman  
David Davis, MIC 50  
David Meyer, MIC 50